

# **EXHIBIT E**

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RICHARD B. DIX  
UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEVADA

In re:

THE RHODES COMPANIES, LLC,  
aka "Rhodes Homes," et al.,

Case No.:

BK-S-09-14814-LBR

Chapter 11

AFFECTS:

All Debtors

DEPOSITION OF RICHARD B. DIX  
LAS VEGAS, NEVADA  
THURSDAY, JULY 16, 2009

REPORTED BY: JANET C. TRIMMER, RPR, CRR  
NV CCR No. 864, CA CSR No. 4008



1 RICHARD B. DIX

2 BY MR. KORNFELD:

3 Q. So you haven't seen him do anything  
4 fraudulent; correct?

5 A. I have not physically seen him do anything  
6 fraudulent.

7 Q. Have you seen any documents that would  
8 indicate to you that he has done anything fraudulent?

9 MR. QURESHI: Object to form.

10 THE WITNESS: For example, the document  
11 that's attached here in exhibit A that you referred to  
12 implied that Mr. Rhodes has behaved in a fraudulent  
13 manner in numerous cases.

14 Again, our firm has not been hired to  
15 determine or uncover those type of activities. So I'm  
16 not in a position to say whether he has or has not  
17 behaved in a fraudulent manner.

18 BY MR. KORNFELD:

19 Q. That wasn't my question, sir. My question  
20 is -- try to listen to it and just answer my question.  
21 We'll get done sooner, I promise.

22 A. All right, sir.

23 Q. Here's the question again:

24 Have you seen any documents that would  
25 indicate to you that Mr. Rhodes has done anything

1 RICHARD B. DIX

2 fraudulent?

3 MR. QURESHI: Object to the form.

4 THE WITNESS: I personally have not seen any  
5 documents, again excluding the exhibit that's attached  
6 herein. I have not had -- been privy to any legal  
7 counsel's interpretation of documents as in the Main  
8 report and others that would interpret one way or  
9 another, but I have personally not reviewed anything  
10 to date that I would interpret again -- I'm not sure  
11 that I'm qualified to interpret fraudulent or  
12 non-fraudulent, but behavior by Mr. Rhodes.

13 BY MR. KORNFELD:

14 Q. Again, my question is simple, and if you can  
15 give a yes-or-no answer I can move on.

16 Have you personally seen any documents other  
17 than exhibit A to the trustee motion that would  
18 indicate to you Mr. Rhodes has engaged in fraudulent  
19 activity?

20 MR. QURESHI: Objection. Asked and answered.

21 THE WITNESS: The Main report indicates that  
22 Mr. Rhodes was allocating time between creditor --  
23 excuse me -- debtor inside the credit facility and  
24 outside the credit facility and at the -- prior to  
25 bankruptcy Mr. Rhodes elected to pay the noncreditor



1 RICHARD B. DIX

2 he's looked at something that I haven't now, why don't  
3 we do this. Why don't we e-mail to Brett a copy of  
4 that whatever was on the BlackBerry. She can print it  
5 out, make copies for everybody, and then we can all  
6 have it in front of us.

7 MR. QURESHI: A wonderful suggestion.

8 MR. KORNFELD: So let's wait two minutes and  
9 do that -- why don't we do this: Why don't we proceed  
10 with another line of questioning, and then we'll take  
11 a break and we'll go back to the engagement letter and  
12 go through that again.

13 MR. QURESHI: Perfect.

14 BY MR. KORNFELD:

15 Q. Mr. Dix, do you recall a single person who  
16 used the word "thief" with reference to Mr. Rhodes?

17 MR. QURESHI: Objection.

18 You can answer.

19 THE WITNESS: I do not recall anyone  
20 specifically using that word.

21 BY MR. KORNFELD:

22 Q. Do you recall a single person who used the  
23 word "fraud" or the word "fraudulent" to describe  
24 Mr. Rhodes's conduct?

25 MR. QURESHI: Object to the form.

1 RICHARD B. DIX

2 You can answer.

3 THE WITNESS: We've heard lots of stories,  
4 Alan, and so my -- I do not recall them using that  
5 specific word. But again, we've heard lots of  
6 stories, so...

7 BY MR. KORNFELD:

8 Q. Do you recall a single person who used the  
9 word "stealing" to describe any acts committed by  
10 Mr. Rhodes?

11 MR. QURESHI: Object to form.

12 You can answer.

13 THE WITNESS: Again, the interpretation of  
14 the word can have many meanings, but I don't recall  
15 specifically the word "stealing" or a conversation  
16 specifically with the word "stealing."

17 BY MR. KORNFELD:

18 Q. Have you witnessed any potentially criminal  
19 activity, to use the phrase in the trustee's -- the  
20 trustee motion at paragraph 8, by Mr. Rhodes?

21 MR. QURESHI: Object to the form, and calls  
22 for a legal conclusion.

23 THE WITNESS: We've not been, I've not been  
24 privy to shadow Mr. Rhodes in all of his activities,  
25 so I do not recall any time seeing Mr. Rhodes create

RICHARD B. DIX

a -- what was the word? Did you use the word --

BY MR. KORNFELD:

Q. Criminal activity.

A. Criminal activity. I have not had an opportunity to shadow him.

Q. Did anybody tell you that Mr. Rhodes has committed a criminal act?

MR. QURESHI: Object to form.

THE WITNESS: Again, I'm not an attorney, so interpreting someone's, whether it's criminal activity or not, I'm not in a position to comment. People have told me many, many stories about Mr. Rhodes; they take many forms, they use a variety of words to describe them. What your interpretation of "criminal" or the court's or someone else, I'm not in a position to comment, but I don't recall anyone specifically using the word "criminal," and unfortunately, I don't recall every conversation and every word used in those conversations.

BY MR. KORNFELD:

Q. To be clear, as you sit here today, did anybody use the word "criminal" to describe any act by Mr. Rhodes?

MR. QURESHI: Object to form.



1 RICHARD B. DIX

2 THE WITNESS: I don't recall.

3 BY MR. KORNFELD:

4 Q. Did anybody use the word "criminal" in a  
5 conversation with you to describe any act by  
6 Mr. Rhodes?

7 A. That specific word, I don't recall.

8 Q. When I asked you if you had heard of  
9 potential fraudulent activity by Mr. Rhodes, you  
10 referenced three sets of facts. One was Harmony home  
11 building. Do you recall that testimony?

12 A. I do.

13 Q. One was the rent for John Rhodes' house. Do  
14 you recall that testimony?

15 A. It was actually the company's house, but yes,  
16 I do.

17 Q. The rent for the house that was paid to John  
18 Rhodes; right?

19 A. Correct.

20 Q. So that's the second set of acts.

21 Number 3 set of acts of potentially  
22 fraudulent activity was, according to you,  
23 mismanagement of accounting processes. Do you recall  
24 that testimony?

25 A. I do.

1 RICHARD B. DIX

2 Q. I like praise. Okay.

3 So you do not know whether there was a proper  
4 reconciliation between the in-credit and out-of-credit  
5 companies with respect to the Pravada grading issue,  
6 do you?

7 A. That is correct.

8 Q. Since April 1, have the debtors made any cash  
9 payments to nondebtor entities that WCP views as being  
10 inappropriate?

11 A. I can't comment on that, because there's one  
12 of our accountants on staff actually reviews that. So  
13 that's something that I can't comment on. But I'm not  
14 aware of -- so I can just finish here, Alan, before  
15 you get to the question and ask it to me again. That  
16 I'm personally not aware of any payments to any of  
17 those entities.

18 Q. Has the accountant who reviews payments told  
19 you that the debtors have made inappropriate cash  
20 payments to nondebtor entities since April 1?

21 A. No, they have not.

22 Q. Have the debtors made any inappropriate  
23 payments whatsoever, to your knowledge, since April 1?

24 A. Not to my knowledge.

25 Q. Has your accountant told you that the debtors

1 RICHARD B. DIX

2 have made inappropriate payments since April 1?

3 A. Not that I'm aware of.

4 Q. And you would expect that if the debtors were  
5 making inappropriate payments to anybody, the  
6 accountant that works for you would have told you  
7 that; correct?

8 A. Based on their limited visibility, I guess,  
9 if they knew of it, they would tell me.

10 Q. Really fast, wouldn't they?

11 A. You would hope, yes.

12 Q. In fact, all of us in this room would have  
13 heard about any such inappropriate payments if you or  
14 anybody else at WCP knew about them; correct?

15 A. That is correct.

16 Q. Have you seen anything that would indicate to  
17 you that Mr. Schramm has done anything dishonest?

18 A. Not anything that I recall.

19 Q. Has your accountant, who has been basically  
20 living at Rhodes, told you that Mr. Schramm has done  
21 anything dishonest?

22 MR. QURESHI: Object to the form.

23 THE WITNESS: Not that I recall.

24 BY MR. KORNFELD:

25 Q. Has anybody told you that Mr. Schramm has



1 RICHARD B. DIX

2 done anything dishonest?

3 A. Not that I recall.

4 Q. You reference the Alix report, which is  
5 exhibit A to the trustee motion. Let's turn to that.

6 Sir, my copy of the Alix report is not signed  
7 by any AlixPartners who drafted the report. Does your  
8 copy have a signature block on it?

9 MR. QURESHI: That would be the same copy you  
10 gave him?

11 MR. KORNFELD: Yes.

12 THE WITNESS: No, it does not.

13 BY MR. KORNFELD:

14 Q. Do you know which of the AlixPartners were  
15 the authors of exhibit A to the trustee motion?

16 A. I do not.

17 Q. Have you ever heard anybody mention the name  
18 of who the authors of this report that is exhibit A to  
19 the trustee motion were?

20 A. Not that I recall.

21 MR. QURESHI: Could we go off the record for  
22 just 10 seconds?

23 MR. KORNFELD: Sure.

24 (Discussion off the record.)

25 MR. KORNFELD: Let's go on the record.